

## Message Text

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ORIGIN EB-07

INFO OCT-01 EA-06 IO-10 ISO-00 SSO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

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DRAFTED BY EB/OT/TA:RMEYER:SAM

APPROVED BY EB/OT/TA:BREDECKER

EA/ANP:HNELSON

COM:DBLACK

STR:ELAPP

TREAS:MCHAVES

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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA IMMEDIATE

AMEMBASSY WELLINGTON

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, AS, NZ, GATT

SUBJECT: NAFTA BIENNIAL REVIEW IN GATT COUNCIL

REF: A) CANBERRA 4436; B) CANBERRA 4308

1. ADDRESSEES ARE AUTHORIZED TO CONVEY TO HOST GOVERNMENTS THE FOLLOWING U.S. POSITION ON NAFTA, WHICH WILL BE INCLUDED IN INSTRUCTIONS TO U.S. MISSION GENEVA FOR JULY 11 GATT COUNCIL:

UNITED STATES CONTINUES TO BE CONCERNED OVER LACK OF IN-

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CREASE IN THE PERCENTAGE OF BILATERAL TRADE COVERED BY

NAFTA DURING THE 1972-4 BIENNIUM. WE DO NOT BELIEVE NAFTA, AS IT PRESENTLY OPERATES, COVERS "SUBSTANTIALLY ALL THE TRADE" BETWEEN AUSTRALIA AND NEW ZEALAND. WE ARE, OF COURSE AWARE OF THE SEVERE ECONOMIC AND TRADE DISTURBANCES THAT HAVE TAKEN PLACE DURING THE PAST TWO YEARS, AND AGREE THAT THESE CIRCUMSTANCES, AS WELL AS TRADE ACTIONS TAKEN BY NAFTA MEMBERS THEMSELVES, MUST BE TAKEN INTO ACCOUNT BY THE GATT COUNCIL IN ITS REVIEW. WE ARE INFORMED THAT AUSTRALIA AND NEW ZEALAND WILL SOON BEGIN THEIR TEN-YEAR BILATERAL REVIEW OF THE NAFTA AGREEMENT, AND HOPE THAT AS A RESULT OF THIS REVIEW, THEY WILL BE ABLE TO PRESENT THE COUNCIL WITH A PLAN INDICATING WHEN AND HOW THEY INTEND TO EXPAND NAFTA'S TRADE COVERAGE.

2. FOR EMBASSIES' USE AS APPROPRIATE: WE DO NOT WISH TO PICK ON THE NAFTA, NOR TO INDICATE BY OUR POSITION THAT WE ARE UNSYMPATHETIC TO THE PROBLEMS OF AUSTRALIA AND NEW ZEALAND AS THEY ATTEMPT TO DRAW THEIR ECONOMIES CLOSER TOGETHER. HOWEVER, WE BELIEVE THE GATT MUST BE DEFENDED IN BOTH GOOD TIMES AND BAD. SINCE WE TOOK A CRITICAL POSITION IN THE 1973 REVIEW, AND THERE HAS BEEN VERY LITTLE PROGRESS IN EXPANDING NAFTA TO THE POINT THAT IT COULD COMPLY WITH ARTICLE XXIV 8(B) (PARTIALLY BECAUSE OF AUSTRALIAN IMPORT ACTIONS), WE CANNOT NOW TURN THE OTHER WAY. INGERSOLL

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